

## **1996 SMALL BUSINESS PROFILE**

### **SMALL BUSINESS: BACKBONE OF THE ARKANSAS ECONOMY**

The importance of small business to the state of Arkansas is once again evident in the 1996 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy.

Of the **48,954** full-time business firms with employees in Arkansas, **97.4** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **86,000** full-time self-employed persons in Arkansas in 1995, for a total estimated full-time business population of **134,954** firms.

**Small Business Income** - the income of sole proprietors and partners rose **8.0** percent to **\$3.5** billion in 1995, while wage-and-salary income rose **6.6** percent. Total personal income rose **5.4** percent to **\$43.2** billion. The state also exported **\$2.0** billion of goods and services in 1995.

Arkansas's number of women-owned businesses, including part-time firms, increased **42.2** percent from 1987 to 1992, totaling **50,440**. The number of Black-owned firms, including part-time firms, increased **30.6** percent from 1987 to 1992, totaling **5,738** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose **116.4** percent during the same time period with **701** firms in 1992. There has also been a marked

increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaska Natives. The number for the group grew from **658** in 1987, to **1,214** in 1992, representing a **84.5** percent increase.

Small businesses with fewer than 20 employees reported **9.7** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of Arkansas.

The composition of small business in Arkansas is very diverse. The **Health Services** industry is the largest small business employer in Arkansas. Other significant small business industries are, in descending order: Eating and Drinking Places, Special Trade Contractors, Wholesale Trade-Durable Goods, and Automotive Dealers and Service Stations. The fast-growing industries include Textile Mill Products, Paper and Allied Products, Security, Commodity Brokers and Services, Leather and Leather Products, and Transportation by Air.

The number of new firms increased **9.1** percent. Business bankruptcies increased by **13.1** percent and business failures increased by **100.3** percent.

An SBA Office of Advocacy study found that Arkansas's top ten lenders to small businesses in 1995 were:

1. First National Bank in Mena
2. Bank of Eureka Springs
3. Bank of Little Rock
4. First National Bank of Phillips County
5. First Bank of Arkansas, Trumann
6. First Bank of Arkansas, Wynne
7. First National Bank of Benton
8. Bank of Yellville
9. First National Bank
10. Merchants & Planters Bank & Trust Corporation

In sum, small businesses have a striking impact on Arkansas' economy. Not only do they play a vital role as job creators, but their diversity and composition provide the

work force with endless opportunities.

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1993, the latest year available, and was prepared for the Office of Advocacy, U.S. Small Business Administration by the Bureau of the Census, U.S. Department of Commerce.

The first table lists the industries that were the top five employers in the state, without regard to the size of the firm that provided the jobs. The next to last column in the table shows the percentage of persons employed in firms with fewer than 500 employees (small businesses) in those industries.

The second table lists the industries that employ the most people in firms with fewer than 500 employees. These are the top small business employing industries in the state. The "percent of total" column provides the percentage of total employment in the state accounted for by each of the industries listed.

The third table lists--for the 1991-1993 period--the fastest growing small business industries in the state. As many as five industries are shown. If fewer than 5 industries are shown, it is because 1991-1993 was a recessionary period in which there was little national employment growth. The industries listed represent those in which small businesses sustained the economy during a period of little aggregate employment growth.

Top Five Industries in Arkansas by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL	RANK
Health Services	93,173	11.5	44.6	1
Eating & Drinking Places	51,954	6.4	73.2	2
Food & Kindred Products	51,190	6.3	9.0	3
Business Services	40,532	5.0	44.9	4
General Merchandise Stores	33,919	4.2	2.0	5
TOTAL, ALL INDUSTRIES	810,247	100.0	52.7	

Top 5 Small-Business-Dominated Industries in Arkansas by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Health Services	41,520	9.7	1
Eating & Drinking Places	38,026	8.9	2
Special Trade Contractors	20,070	4.7	3
Wholesale Trade-durable Goods	18,399	4.3	4
Automotive Dealers & Service Station	18,258	4.3	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	427,067	100.0	

Fastest Growing Industries for Small Business in Arkansas, 1991 - 1993

INDUSTRY	SMALL BUSINESS EMPLOYMENT IN		PERCENT CHANGE, 1991-1993	RANK
	1991	1993		
Health Services	35,833	41,520	15.9	1
Eating & Drinking Places	34,504	38,026	10.2	2
Food & Kindred Products	4,298	4,607	7.2	3
Business Services	17,161	18,219	6.2	4

Office of Advocacy, U.S. Small Business Administration. Based upon Census data, prepared under contract.